

Statement of Senator Frank R. Lautenberg on Inheritance Tax Repeal

July 12, 2000

Mr. President, I rise today to express my strong opposition to complete repeal of the inheritance tax. This legislation would provide a huge windfall to a small handful of very wealthy individuals, at the direct expense of ordinary Americans.

Mr. President, let me begin by stating the obvious: nobody likes taxes. Nobody likes to pay them. And no politician likes to support them.

But, Mr. President, regardless of one's views about the appropriate size of government, the inescapable truth is that taxes, at some level, are inevitable. They're needed to support our military. They're needed to educate our kids. They're needed to support the FBI and other law enforcement agencies. They're needed to keep our air traffic system working, and our food safe.

Mr. President, I think we can afford to cut some taxes in a responsible, targeted way. And I would support reasonable reform of the estate tax, to ensure that families don't have to liquidate a small business in order to pay taxes, if they plan to continue operating these family enterprises.

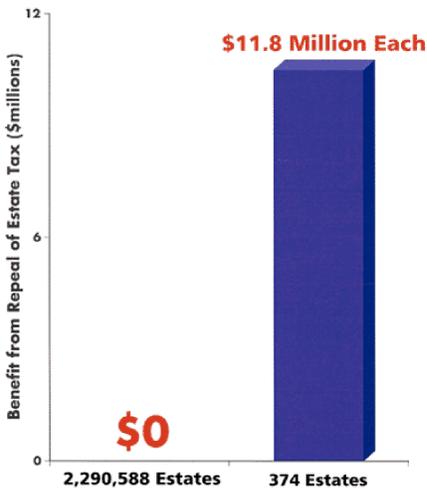
But, Mr. President, completely repealing the inheritance tax just goes too far.

And it's not fair.

Mr. President, under current law, the first \$675,000 of an estate is exempt from taxation this year, and that amount is scheduled to increase to \$1 million in 2006. Moreover, as a practical matter, couples generally can shield from estate taxes roughly double the basic exemption. Thus, within a few years, \$2 million will be exempt from the tax. And the rules for small businesses and family farms are even more generous.

For these reasons, Mr. President, the estate tax is now limited only to the very wealthiest of Americans. Less than 2 percent of all deaths result in an estate tax liability. And nearly half of all estate taxes are paid by the wealthiest five percent of taxable estates. These are estates with assets over \$5 million. And they represent the wealthiest one of every 1000 people who die.

IS THIS FAIR?



In other words, Mr. President, most of the benefits of this bill aren't targeted at mere millionaires. They benefit multi-millionaires, multi-multi-millionaires, and billionaires.

This chart shows just how unfair this bill is.

For ordinary Americans, 98 percent of them, this bill provides absolutely nothing. About 2.3 million estates would not get a single extra penny. But for the most fortunate – less than 400 of the very wealthiest estates –

the bill would provide \$11.8 million each.

Zero for almost everybody. And about \$12 million for multi- multi-millionaires and billionaires.

That's just not fair.

Mr. President, why is this Senate considering legislation to provide these huge breaks for a favored few when we've done so little for ordinary American families?

Middle class families need help to afford quality child care. Many are struggling to pay for long-term health care. And millions of our nation's seniors can't afford the prescription drugs they need.

This Congress has done virtually nothing to help these ordinary Americans. Yet here we are proposing to give huge tax breaks to a handful of people who already are very wealthy. Are those the priorities of the American people, Mr. President? I don't think so.

Mr. President, let me make one thing clear. I don't harbor any resentment against Americans who have worked hard, built a business, and been successful at it. I'm one of them. I was born to a working class family that struggled hard just to make ends meet. And, thanks largely to assistance from the federal government, I was able

to get an education and eventually build a very successful business.

Mr. President, I'm proud of that record of success. But, while it never hurts to have more money, I don't need millions of dollars in additional tax breaks. Nor do my children.

Mr. President, when my kids eventually inherit money from my estate – a good long while from now, I hope – they're going to enjoy what amounts to a windfall of unearned income. I don't begrudge them that windfall and, I'm the first to admit, I want them to benefit from my success.

At the same time, Mr. President, they didn't earn that money, or build a business to get it. And they can afford to contribute to the society that helped make it all happen.

The fact is, Mr. President, if my kids get millions of dollars in additional tax breaks, other Americans will have to make up the difference. Maybe that means working families won't get a child care tax credit. Maybe it means they won't get assistance for long-term care. Or maybe it means that senior citizens won't get the prescription drugs they need. But, one way or another, ordinary Americans will lose.

And, in my view, even though it's against my own personal financial interests and those of my kids, I just think it's unfair.

I also want to point out, Mr. President, that repealing the inheritance tax could have a serious affect on our nation's charities. Today, wealthy Americans can reduce estate taxes by contributing to worthy causes. But if this legislation were enacted, this incentive to contribute will be dramatically reduced. The end result would likely be fewer services for our nation's most needy citizens, and potentially the demise of some of our nation's most important private institutions.

Finally, Mr. President, let me just mention the direct financial costs of this legislation. When fully phased in, repealing the inheritance tax would cost about \$50 billion a year, and this cost would increase in the future. In the second ten year period, the cost would total \$750 billion. That's a huge amount of money, even given the large projected surpluses we now see.

Remember, Mr. President, those surpluses are just projections. They're not money in the bank. And we should be very careful about spending them before they actually materialize.

So, Mr. President, I urge my colleagues to oppose this legislation. It's a massive giveaway to a small handful of multi-millionaires and billionaires. It's unfair to ordinary Americans. It could undercut many of our nation's charities. And it's simply a much lower priority than helping ordinary American families afford child care, long-term care and prescription drugs.

